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Report Highlights:

China's export oriented asparagus industry remains strong and presents a competitive threat to the U.S. despite weather related production declines in 2005 that forced procurement prices higher. During 2005, China is forecast to produce 400,000 metric tons of asparagus and export \$100 million of fresh and jarred/canned asparagus. Short-term effects of the production decline are likely to result in less asparagus on the domestic market and possibly some decreases in individually, quick, frozen (IQF) asparagus exports. Mid-term production increases are forecast as grower management improves and plants age and begin producing more commercially. China's asparagus consumption is forecast to grow while future exports to the world remain flat, but increase to the U.S. Improved marketing methods helped China's asparagus industry competitiveness both domestically and abroad.

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Executive Summary**Weather and Land Constraints Limit Production**

FAS China forecasts China's planted asparagus area increased since the Ministry of Agriculture (MOA) last reported asparagus planting acreage and production in 2002, but that mid- to long-term acreage should remain stable as land constraints are high. Asparagus growers were hurt by a combination of factors over the past several years, leading towards nationwide asparagus industry stabilization. For example, prices fell in 2003 when product could not be harvested or exported during SARS and weather problems in 2004 and 2005 resulted in small yields and poor farm returns. From mid-April through the beginning of May 2005, industry sources report unfavorable weather in key production areas of Shandong, Shanxi, and Fujian provinces reduced production by as much as thirty percent from 2004. There has also been some land being removed from production.

Prospects for mid- to long-term production volumes should increase as plants age and grower management improves. Realization of the mid- to long-term production increase forecast will largely depend on climate conditions.

Exports to the Rest of the World Declining, but Growing with the U.S.

Post forecasts 2005 individually, quick, frozen (IQF) asparagus exports may decline sharply and jarred/canned asparagus will decline slightly. Fresh asparagus exports, despite the production decline, should increase over last year owing to better management, higher quality, and more attractiveness to foreign buyers. The industry recorded stable exports for the past several years valued at over \$100 million per year, however this does not include IQF asparagus as there is no Harmonized Tariff System (HTS) code available. Industry sources believe mid- to long-term trade in IQF asparagus will grow quickly, but export levels will remain lower than jarred/canned asparagus exports.

Production Levels Remain Far Lower Than FAOstat Data

FAS China analysis indicates (see USDA FAS GAIN report CH3135) a large discrepancy between FAOstat reports for asparagus acreage and production and reality. MOA officers responsible for vegetable policy and production analysis also recognize FAOstat numbers overstate asparagus acreage and production. For example, the FAOstat data suggests asparagus acreage amounts to 5 percent of total vegetable acreage and 4 percent of total vegetable production. MOA's last available asparagus production acreage and volume data is from 2002. At that time, acreage estimates were 42,980 hectares (Ha) with production of 507,900 metric tons (MT).

FAS China analysis concludes that weather problems caused production to decline in each of the past several years. Industry sources indicate 2005 asparagus production may decline by as much as thirty percent in key production areas from 2004 owing to unfavorable weather conditions in mid-April through mid-May that shortened the harvest period in some key areas by two weeks. China's principal asparagus producing provinces remain in a few concentrated areas within Shandong, Shanxi, and Fujian. A few new green asparagus growing areas have emerged in Hebei, Anhui, and around Beijing and Shanghai. However, production in these new areas is only now developing and it should be some time before larger yields are achieved. Sources indicate asparagus yields range from 7.5 MT per Ha on marginal lands to 15 MT per Ha under ideal conditions.

FAS China forecasts slow overall growth in asparagus production though grower management improvements and new, better seeds have been adopted. Nationwide planting acreage should remain stable, as some land is added and other land is taken out of production.

Shandong Asparagus Situation

In ideal production years, as much as three-quarters of China's asparagus production may originate from a few centralized areas of Shandong province: Heze (mostly white asparagus), Jiuxian and Rizhao (both produce green asparagus). Shandong agricultural officials reported 2004 provincial planted area was roughly 30,000 Ha and production volume was less than 400,000 MT; of which 85 percent was white. Spring harvest of white asparagus lasts from late-April through early July and occasionally employs laborers at a cost of \$1.50 per day whereas green asparagus harvest, mostly conducted by individual growers, in Jiuxian and Rizhao usually lasts from late-April through early July. Sources indicate the bulk of the northern asparagus Spring harvest is completed between twenty to thirty days in May.

Field surveys and government sources indicate farmers receive up to \$.75 per kg for green asparagus sold fresh and exported and from \$.18 to \$.50 per kg for white or green asparagus that will be sold for IQF or jarring. Farm surveys suggest farmers do not intend to plant more asparagus or switch land to grain crops at this time.

Shanxi Asparagus Production

The Shanxi Asparagus Industry Association reported in *China Canned Food* 2005 Issue No. 1 that provincial planting acreage was 13,333 Ha and the city of Yongji, a production base located near the Shaanxi and Henan borders, accounts for forty percent of provincial acreage and produced 35,000 MT; of which eighty percent was used for jarring/canning. The association also reports yields are low and that ninety percent of the provincial planting is with F2 seeds. Furthermore, the association reported two Spanish companies invested in asparagus processing in the province. News reports indicate Hejian, another production base in Western Shanxi, has large sections of land planted with asparagus along the Yellow River. There is also some processing conducted in cooperation with an Australian company whose product appears to be both sold domestically and exported. Another large Shanxi asparagus processor appears to be exploring production of asparagus candies and beverage drinks.

Fujian Asparagus Production

Industry sources report Fujian provincial asparagus production is located in the outlying regions of Xiamen, primarily Zhangzhou (2,000 Ha in 2004 with production volume of 20,000 MT), and consists primarily of white asparagus that is harvested over two seasons (Spring: April to July, Fall: September through October). A few exporters in the area report they are having a difficult time sourcing asparagus and are unwilling to quote FOB export prices at this time. Sources indicate grower prices are much higher than last spring with growers receiving around \$.38 per kg of exceptional quality asparagus and \$.31 to \$.34 per kg of medium quality asparagus.

Development of Industry Standard Arises

The "Wu Gong Hai" or Wholesome Foods Standard (see GAIN CH2032) appears to have been unofficially adopted as the industry standard for asparagus production. Local level agricultural officials as well as packers and processors provide growers with training on the type and kinds of agricultural inputs permitted while retailers often report to consumers that their products meet the "Wu Gong Hai" standard.

Industry and Labs Interested in Asparagus Chemical and Heavy Metal Residues

An independent residue analysis laboratory in China's vegetable export hub of Qingdao reports a range of chemical residues are often found on agricultural products in China that would not normally be associated with controlling pests or disease for the commodity of concern. The lab reports its tests on white and green asparagus did not find levels exceeding allowable levels and that levels were less than one part per million for tests of Atrazine, Biphenyls, Carbendazim, Dichlofluanid, Diphenylamine, Myclobutanil, and p,p'-DDE.

Industry members have expressed concern with Chinese produced vegetable exports due to the higher levels of metals (e.g. lead) that are sometimes found. FAS China does not have any indication on what levels are permitted nor those that may have been found.

Long-Term Asparagus Consumption Growth Forecast

China's per capita consumption of all vegetables is high (urban residents 122 kg/per person), but despite being the world's largest asparagus producer, per capita asparagus consumption is small. Present production shortfalls most likely result in less asparagus showing up on store shelves for domestic consumers.

Industry sources expect fresh, IQF, and possibly jarred/canned asparagus consumption will grow over the next three to five years as domestic distribution channels improve and urban incomes rise. This will not immediately impact trade, but rather likely reduce waste.

Urban residents appear more willing to consume a greater variety of fresh vegetable foods and "healthy" foods such as asparagus. Lifestyle changes, such as the increasing number of work hours for urban residents could mitigate at-home consumption increases of fresh asparagus over the long-term unless food preparation becomes easier. As such, although many Chinese do not favor consuming preserved/packaged vegetables it is conceivable IQF or jarred asparagus consumption will increase. At the same time, rising incomes allow for more meals outside of the home and if incorporated onto the menus of the growing number of Western or even Chinese restaurants, asparagus consumption should grow.

Tax Policy Changes Hold Little Impact on Vegetable Production

Fresh and IQF asparagus exports are eligible for a 5 percent export refund and canned/jarred asparagus are eligible for a 13 percent export refund. Industry sources report they apply for and receive the export refund that was created under China's 1994 National People's Congress approved Foreign Trade Law Article 34 allowing the government to "adopt various promotion measures to develop foreign trade including issuing of import and export credits and setting up of export refunds (chukou tuishui)."

Recent elimination of the agricultural tax and the specialty product agricultural tax for producers by China's State Council had minor impact on vegetable production and trade.

Provincial, county, and municipal governments adoption of economically friendly policies (e.g., time based tax free periods for foreign investors, tariff free export processing zones, and accelerated depreciation allowances) enhance trade to third countries for a wide number of agricultural processed goods. The subsidy value is difficult to calculate because each area operates independently and the effect of the subsidies ultimately depends on the business value of each enterprise operating in the area.

Marketing Improvements Helping Asparagus Industry Competitiveness

Marketing Channels Streamlining

Processed horticultural product trade used to be extremely opportunistic and relied on numerous agents and brokers before consolidating a commercial sale for processors or exporters. Marketing channels are now streamlining with fewer middlemen and more direct interaction between exporters, processors and growers. Vegetable exports, especially asparagus exports, appear increasingly competitive on the global market.

Processing companies and trading enterprises are now increasingly involved with directing horticultural production to corporate standards. Although agreements are not contractual, the arrangement is something similar to contract farming. This process sometimes includes providing seeds and instruction to farmers. Furthermore, it often involves processors and traders actively managing procurement and processing during harvest. For example, during harvest periods, industry sources report fresh asparagus is harvested two to three times a day and taken daily from farms to centralized buyers at the township/village level.

Asparagus buyers combine their purchases with buyers from other villages and ship the asparagus to packinghouses and processors for cleaning, sorting, and other pre-treatment before either being exported immediately or placed in cold storage until flights depart for the export destination. The process appears similar for export-oriented jarred/processed and IQF asparagus although they may often store jarred asparagus for year-round shipment.

Asparagus that is consumed on the domestic market may often be a residual product that packinghouses sent to wholesale markets because it did not meet export grades. Asparagus (and other vegetables) that reach wholesale markets may be purchased by restaurants or agents who buy large volumes of a wide variety of vegetables and then pack the vegetables in plastic trays and plastic wrap for domestic retail stores and grocery chains. Note: exceptional grades of asparagus can occasionally be found on the domestic market.

Innovations in Food Product Marketing Incorporate the Internet

With increasing domestic competition for export markets, numerous Chinese manufacturers and traders of IQF and canned or jarred asparagus are listing products on commission free business-to-business (B2B) and related English language Chinese hosted websites. The largest and most well known website, free for viewers and potential buyers, allows non-Chinese domestic enterprises to list up to five products for free while charging Chinese enterprises RMB40,000 (U.S.\$4842) to list products. The web pages provide company information and product details including commodity origin, payment terms, minimum order volume, packaging and other product features.

Asparagus Purchasing Preferences

A survey of hypermarkets in Qingdao and Beijing revealed only a few stores stock fresh or jarred asparagus and that most fresh asparagus is only seasonally available. Stores carried jarred white asparagus; produced in compliance with China's voluntary National Standard for Jarred Asparagus (GB/T13208-1991), in 330-gram sizes containing 205-grams of asparagus for \$.72 to \$.82 per jar. One store carried canned white asparagus packaged under an Australian label in a 430-gram can containing 270-grams of asparagus for \$.71. In mid-May, retail hypermarkets in Qingdao and Beijing offered fresh green asparagus bundled in plastic trays of 0.25 to 0.4 kg for a retail price ranging from \$1.81 to \$3.62 per kg. Most store packages were sized and priced to result in a package worth about \$.80. In early February, fresh asparagus at farmer's markets in Jiangsu province sold for \$1.57 per kg while Yunnan produced asparagus sold for \$.52 per kg.

Industry sources and exporters report fresh green asparagus exports are shipped loose in upright cartons or in bundles of three or five stalks per bundle. IQF green asparagus exports are often in bulk poly-vinyl bags. Jarred white asparagus exports are often in a couple of different jar sizes for retail use; e.g., size 212 to Japan and size 370 to Europe which, industry sources report, hold 110 grams to 190 grams of asparagus, respectively.

Increasingly, traders and asparagus manufacturers report they are beginning to produce asparagus under private label for European retailers.

Fresh and Canned/Jarred Asparagus Exports Remain Near \$100 Million

China exports fresh (HTS079020) and processed asparagus (HTS200560) throughout the year with the highest volumes of fresh asparagus exports occurring from May through October with spikes in December. Processed exports occurring primarily from June through September, with stable exports continuing through December. China Customs data for IQF asparagus is consolidated with IQF garlic cloves, certain IQF mushrooms, and other IQF vegetables not elsewhere specified (HTS07108090). Thus the detail is not specific enough to provide a reliable indicator of trade volume or value.

In each of the past two years, the Qingdao customs area registered over 80 percent of all fresh exports and 70 percent of all processed exports. The Xiamen customs area recorded over 20 percent of all processed asparagus exports. Qingdao and Xiamen export origins should only be considered a general indicator of where the asparagus originated as domestic transit of horticultural products is growing and the two export hubs may often store processed products produced from other regions.

Asparagus imports are minimal with 20 MT of processed asparagus entering China in the first four months of 2005 from Spain and the U.S. China imported 9 MT of fresh asparagus from Thailand in 2003 and in 2004 "imported" 64 MT from bonded trade zones within China.

Industry processors and traders report a preference for dealing with Japanese buyers, but that the market potential for jarred and IQF exports remains flat. Exporters preference for Japanese buyers reportedly stems from their reliability as customers who want a stable supply of high-quality produce whereas European and North American buyers are inclined to buy on price and may frequently change suppliers. Industry sources report, however, they are increasingly looking for new buyers in Europe, the Middle East, and the U.S., and that these areas present the best prospects for new sales. Traders provided FOB 2005 reference prices in mid-May ranging from \$1700 to \$1800 per MT of IQF green asparagus and upwards of \$2100 per MT for jarred white asparagus to Europe. Customs recorded average FOB export prices for jarred asparagus are much lower and in the range of \$1000 per MT. Customs recorded FOB fresh export prices have climbed quickly over the last three months with average export prices reaching \$2730 per MT in April.

Production, Supply, and Demand (PSD) Estimate

PSD Table						
Country	China, Peoples Republic of					
Commodity	Asparagus, Fresh				(HA)(MT)	
	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2003		01/2004		01/2005
Area Planted	0	60000	0	66000	0	66000
Area Harvested	0	45000	0	45000	0	50000
TOTAL Production	0	600000	0	587500	0	411250
Imports, Fresh	0	10	0	64	0	50
TOTAL SUPPLY	0	600010	0	587564	0	411300
Exports, Fresh	0	1687	0	1624	0	1800
Domestic Fresh Market	0	288323	0	285940	0	109500
For Processing	0	310000	0	300000	0	300000
TOTAL UTILIZATION	0	600010	0	587564	0	411300

Fresh Asparagus Export Prices Surging in 2005 while Jarred Prices Remain Stable

Fresh asparagus export prices vary widely throughout the year with lows of \$1.03 per kg in October 2004 to a high price of \$2.73 per kg in April 2005. Processed export prices exhibit greater stability with lows of \$0.92 in February to \$1.05 in June 2004.

China's Average Export Price of Fresh Asparagus (070920) in \$/Kg				China's Average Export Price of Processed Asparagus (200560) in \$/Kg			
	2003	2004	2005		2003	2004	2005
January	1.16	1.15	1.04	January	0.98	0.99	0.96
February	1.05	None	0.96	February	1.00	0.92	0.96
March	1.45	1.12	1.31	March	1.00	1.00	1.00
April	1.58	1.60	2.73	April	1.02	1.01	0.97
May	1.33	1.49		May	1.04	1.04	
June	1.35	1.42		June	0.95	1.05	
July	1.27	1.36		July	0.92	0.99	
August	1.11	1.03		August	0.93	1.02	
September	0.95	1.21		September	0.99	1.01	
October	1.09	1.08		October	0.91	1.00	
November	1.24	1.10		November	0.98	0.98	
December	0.90	1.39		December	0.96	1.00	
Average	1.16	1.31		Average	0.96	1.01	

Monthly Export Tables by Volume and Value for Fresh and Jarred Asparagus

China's Fresh Asparagus (070920) Exports by Month to the World in Metric Tons				China's Processed Asparagus (200560) Exports by Month to the World in Metric Tons			
	2003	2004	2005		2003	2004	2005
January	25	75	92	January	4,243	5,083	6,174
February	94	0	88	February	3,240	3,891	4,782
March	44	133	30	March	3,962	5,685	4,840
April	77	98	134	April	2,869	4,137	3,577
May	192	306		May	7,467	7,611	
June	161	253		June	17,527	12,498	
July	243	191		July	15,307	12,336	
August	230	119		August	12,476	12,175	
September	152	114		September	11,348	10,421	
October	179	147		October	9,059	7,956	
November	41	83		November	7,681	7,969	
December	250	105		December	8,986	7,831	
Sum	1,687	1,624	344	Sum	104,166	97,592	19,373

China's Fresh Asparagus (070920) Export Value to the World by Month in \$Millions				China's Processed Asparagus (200560) Export Value to the World by Month in \$Millions			
	2003	2004	2005		2003	2004	2005
January	0.029	0.086	0.096	January	4.16	5.011	5.912
February	0.099	0	0.084	February	3.241	3.591	4.600
March	0.064	0.149	0.039	March	3.951	5.697	4.848
April	0.122	0.157	0.364	April	2.918	4.162	3.471
May	0.255	0.457		May	7.773	7.92	
June	0.218	0.36		June	16.588	13.108	
July	0.308	0.259		July	14.061	12.224	
August	0.255	0.123		August	11.597	12.363	
September	0.145	0.138		September	11.242	10.543	
October	0.195	0.159		October	8.289	7.919	
November	0.051	0.091		November	7.529	7.828	
December	0.224	0.146		December	8.62	7.838	
Sum	1.965	2.125	0.583	Sum	99.969	98.204	18.831
Source of data: China Customs				Source of data: China Customs			

Asparagus Exports to the World Declining but Growing with the United States

Note: 2005 trade is for January through April.

China's Fresh Asparagus (079020) Exports by Destination in Metric Ton and \$Million, sorted by 2004									
Rank	Country	2002		2003		2004		2005-YTD	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
	World	2,073	2.850	1,687	1.965	1,624	2.125	344	0.584
1	Japan	301	0.498	171	0.287	400	0.721	136	0.380
2	Germany	1,105	1.559	688	0.880	396	0.472	24	0.018
3	Spain	225	0.222	421	0.395	317	0.293	32	0.028
4	Belgium	109	0.158	46	0.040	240	0.229	37	0.036
5	Netherlands	202	0.290	181	0.176	157	0.200	103	0.106
6	United States	29	0.023	73	0.053	49	0.074	7	0.010
7	Italy	53	0.044	47	0.070	21	0.028	0	0.000
8	Korea, South	0	0.000	0.19	0.000	12	0.026	2	0.004
9	United Kingdom	0	0.000	0	0.000	9	0.056	0	0.000
10	Malaysia	0.4	0.000	1	0.000	8	0.001	0	0.000
	All Others	50	0.055	58	0.064	15	0.026	3	0.002

Source of data: China Customs

Note: 2005 trade is for January through April.

China's Processed Asparagus (200560) Exports by Destination in Metric Ton and \$Million, sorted by 2004									
Rank	Country	2002		2003		2004		2005-YTD	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
	World	106,866	107.92	104,166	99.97	97,592	98.20	19,372	18.83
1	Spain	31,545	35.21	28,825	30.57	34,237	38.50	2,608	2.97
2	Germany	29,441	25.39	25,195	20.22	21,749	18.02	4,585	3.95
3	Netherlands	17,602	17.04	20,535	18.24	7,637	7.27	1,882	1.85
4	France	7,560	8.41	8,041	8.80	7,556	7.83	3,506	3.51
5	Belgium	1,429	1.35	1,773	1.65	5,845	5.42	1,393	1.27
6	Japan	5,380	7.40	4,922	6.63	4,845	6.51	1,080	1.39
7	Denmark	2,816	1.89	2,953	1.93	2,707	1.73	760	0.48
8	Sweden	1,414	1.10	1,443	1.25	1,677	1.31	638	0.55
9	Australia	1,376	1.95	1,681	2.23	1,492	2.03	471	0.61
10	Brazil	1,005	1.16	857	0.83	1,234	1.15	182	0.16
11	Italy	1,430	1.33	1,288	1.20	1,209	1.19	391	0.37
12	United States	519	0.57	1,114	1.18	1,122	1.16	339	0.35
13	Norway	765	0.63	657	0.54	697	0.56	147	0.11
14	Canada	425	0.53	578	0.71	684	0.89	148	0.20
15	Indonesia	406	0.30	602	0.44	544	0.40	125	0.10
	All Others	3,753	4	3,700	4	4,358	4	1,117	0.96

Source of data: China Customs